



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

TESTIMONY PRESENTED TO THE FINANCE, REVENUE, AND BONDING COMMITTEE MARCH 31, 2022

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Testimony Opposing House Bill No. 5503

AN ACT CONCERNING THE BUSINESS OPERATING LOSS CARRY-OVER PERIOD

Senator Fonfara, Representative Scanlon, Senator Martin, and Representative Cheeseman, and distinguished members of the Finance, Revenue, and Bonding Committee, thank you for the opportunity to offer testimony on House Bill No. 5503, An Act Concerning the Business Operating Loss Carry-Over Period.

For corporation business tax purposes, a corporation that incurs a loss in one year is allowed to carry that loss forward and deduct it in future years. Under current law, a corporation may carry such a loss forward until it is fully utilized, but not for more than twenty years. This bill would extend the carryforward period to forty years for losses incurred in income years commencing on or after January 1, 2023.

To claim a loss deduction in a future year, a corporation must maintain its tax records from the loss year so that it can substantiate such loss. The Office of Policy and Management has concerns with whether corporations will be able to properly maintain, document and report forty year-old losses. Of particular concern is whether such records will even be available after such a lengthy period of time and, even if they are, how reliable such records will be.

In addition, Connecticut's current limitation on loss carryovers is not an outlier among states. Although some states tie their limitation to the federal tax code, which is unlimited, of the twenty six states that do not conform to the federal rule, no state has a carryforward period longer than twenty years.

I respectfully request that the committee not support this bill. I would like to again thank the committee for the opportunity to present this testimony. If I can provide further information, my office will be happy to work with you.